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Contract No. 53-3198-7-31

MPR Project Number 7725-200

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THE DISTRIBUTION OF THE SHELTER DEDUCTION
AND ITS IMPACT ON FOOD STAMP BENEFIT AMOUNTS

August 24, 1987

Submitted to:

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THE DISTRIBUTION OF THE SHELTER DEDUCTION AND ITS IMPACT ON FOOD STAMP BENEFIT AMOUNTS

A. INTRODUCTION AND SUMMARY

The Food Stamp Program (FSP) currently includes excess shelter costs as one of the deductions allowed from gross income in determining a household's eligibility and benefits. Excess shelter costs are defined as shelter costs greater than half of a household's monthly income net of other deductions.¹ Deductible shelter costs include rent, mortgage payments, property taxes, fuel for heating and cooling, electricity, water, sewage, trash collection, and the basic service fee for one telephone. Households which contain an elderly or disabled member can claim the full amount of excess shelter costs as a deduction; other households are subject to a cap which is \$149 in fiscal year 1987.

The excess shelter deduction was designed to improve the ability of the Program to target benefits on the most needy households by recognizing the impact that higher-than-average shelter costs have on the ability of low-income households to purchase an adequate amount of food. However, the deduction may contribute substantially to the burden of administering the Food Stamp Program, due to the complexity of the deduction and the necessity of calculating it individually for each claiming household. The

¹The other deductions include: the standard deduction which is currently \$99 per month in the 48 states and D.C. and higher in Alaska and Hawaii; the earned income deduction equal to 20 percent of a household's earnings; the medical deduction which covers medical costs in excess of \$35 per month for elderly or disabled household members; and the dependent care deduction for dependent care costs, up to \$160 per month, incurred by parents or guardians who work, are looking for work, or are attending school or training classes.

shelter deduction also tends to subsidize shelter expenditures over other types of costs. Such a subsidy may be justified if housing costs are, in large part, outside the control of individual households because of factors such as regional variation in housing costs or the limited availability of subsidized public housing. The current shelter deduction reduces the impact of inequities in the housing market by allowing higher benefits for households with higher shelter costs, although for most households this allowance is limited by a cap.

This report examines the distribution of the current shelter deduction among participant households and assesses the deduction's impact on the food stamp benefits of these households. In particular, the following questions are addressed:

- o Which food stamp households have an effective shelter deduction² and what is the amount?
- o What is the impact of the shelter deduction cap (i.e., what households are most affected by the cap)?
- o What is the relationship between a household's shelter deduction and its shelter costs?
- o What is the aggregate amount of benefits resulting from the shelter deduction and how are these benefits distributed among food stamp households?

²This analysis focuses on the effective shelter deduction rather than the reported deduction. These differ when excess shelter costs are greater than income net of other deductions. The effective deduction is the measure of the value of the deduction; the reported amount is the result of the deduction calculation. For instance, a household which has zero income net of other deductions has a zero effective shelter deduction since the shelter deduction cannot increase their food stamp benefit amount. Their reported deduction would equal their deductible shelter costs (subject to the cap).

The major findings of this report include:

1. Most food stamp households (about 65%) receive an effective shelter deduction.
 - About 18% of households (27% of households with a deduction) have a deduction which is limited by the cap.
 - Five percent of food stamp households (7% of those with a deduction) are elderly or disabled households with a deduction that exceeds the cap.
2. The shelter deduction has a sizable impact on food stamp benefits.
 - The average effective deduction is \$61 per household or \$94 for households with a deduction.
 - Among households with a shelter deduction, the deduction covers about 36% of shelter costs on average. About a fifth of the households have deductions which are more than half of their shelter costs.
 - Monthly benefits resulting from the shelter deduction account for, on average, \$17 or 19% of a food stamp household's total benefit. Households with a deduction have an increase of \$26 or 29% in their benefits as a result of the deduction.
 - About \$123 million in monthly benefits (almost 1.5 billion annually) result from the shelter deduction. These benefits are divided equally among households below and above the median food stamp gross income as a percent of poverty. A majority of the increase in benefits (67%) goes to households in the middle two income quartiles with the remainder split evenly among households in the lowest and highest income groups
3. The distribution of benefits from the deduction is related to household size, type, and location.
 - Households with two to four members have average increases in benefits from the shelter deduction which exceed those of one-person households and households with five or more members. However, on a per capita basis, one-person households experience the biggest gains.

- Households with elderly or disabled members are less likely than non-elderly/disabled households to have a shelter deduction (61% vs. 67%), have smaller increases in benefits if they have the deduction (\$23 vs. \$28), but have larger per capita increases in benefits (\$17 vs. \$12).
- Public assistance households are more likely than non-PA households to have the deduction (74% vs. 55%), are more likely to have a deduction limited by the cap, and have larger increases in benefits if they have the deduction (\$28 vs. \$24). However, per capita increases in benefits are somewhat smaller for PA households who receive a shelter deduction (\$13 vs. \$15).
- Households with earned income are less likely than no-earner households to have a shelter deduction (59% vs. 67%) and the deduction covers a smaller percent of their shelter costs (30% vs. 37%). Among households with the deduction, earner households receive about the same increase in benefits as no-earner households (\$26), but their per capita increase is less (\$10 vs. \$14).
- Households residing in the Northeast tend to benefit the most and those residing in the South the least from the shelter deduction. Monthly benefit increases range from an average high of \$24 per household in the Northeast to a low of \$13 per household in the South. However, for households with the deduction, the shelter deduction covers about the same percentage of shelter costs in each region (varying from 31% in the West to 37% in the Northeast). Regional differences in the impact of the shelter deduction appear to reflect regional differences in shelter costs.

B. DATA AND METHODOLOGY

Analysis Sample. The July-August 1984 food stamp integrated quality control sample, updated to incorporate FSP rule changes established in the 1985 Food Security Act, is used in this analysis. To update the July-August 1984 sample, we increased the earned income deduction from 18% to 20% and replaced the combined excess shelter and dependent care deduction cap with the independent caps established by the Food Security Act. To achieve

consistency with the July-August 1984 data, we deflated the May 1986 dependent care and shelter deduction caps to July/August 1984 dollars. We used the CPI-U all items index averaged for July and August 1984 to deflate the dependent care deduction cap, and the CPI-U shelter index to deflate the shelter deduction cap. The following table lists the caps used in our analysis.

	<u>Effective May 1986</u>	<u>Deflated to July/August 1984</u>
Dependent Care Cap	\$160	\$153
Excess Shelter Deduction Cap		
Continental U.S.	\$147	\$133

We limited our analysis sample to households residing in the continental United States in order to facilitate our examination of households who have a shelter deduction equal to the cap. Eligible households residing outside the continental U.S. are subject to different shelter caps. Because of this restriction, 218 households were excluded from the analysis. Two additional sample restrictions were imposed. Nineteen households with missing shelter costs, and 15 households with a simulated food stamp bonus amount equal to zero were excluded. The final analysis sample consisted of 6,727 food stamp households.

Census Tract Information. Using the household level local area code as an identifier, census tract data obtained from the 1980 Decennial Census were merged onto the July-August 1984 data file. These data provide information on the characteristics of the local area in which the sample households reside which may be related to their shelter costs and shelter deduction including total population, population density, crime and birth rates, and median income and rent.

Calculating the Shelter Deduction. The Food Stamp Program currently defines excess shelter costs as those shelter costs which exceed half of the household's gross income net of other deductions. A household's effective shelter deduction, however, may be less than its excess shelter costs for two reasons: (1) excess shelter costs may exceed the shelter deduction cap in households subject to the cap (households without an elderly or disabled member) and/or (2) excess shelter costs may exceed income net of other deductions. In this case, FSP net income falls to zero. Households with net income equal to zero are receiving maximum benefits and further deductions cannot increase their benefit amount. A household's shelter deduction is defined in this analysis as the minimum of its excess shelter costs, the cap on the shelter deduction if applicable, and its income net of other deductions.³

C. THE DISTRIBUTION OF SHELTER COSTS AND THE SHELTER DEDUCTION

Overall Distribution. The reported monthly shelter costs of food stamp households vary from \$0 to over \$900 and average \$215 (see Table 1). Most households (56%) report costs between \$100 and \$300 per month, about a quarter of the households have costs which exceed \$300, and only 3% have costs which exceed \$500 per month. Almost 8% of the households incur no monthly shelter costs. As expected, households who have a shelter deduction have higher shelter costs, averaging \$267 per month. Although

³In most states, at the option of the household, a Standard Utility Allowance (SUA) can be used in lieu of actual utility payments to determine a household's shelter cost. The quality control data show the shelter cost that is used to determine a household's shelter deduction and benefit amount. Therefore, the reported shelter cost may be based on an SUA rather than actual utility costs.

TABLE 1

DISTRIBUTION OF SHELTER COSTS, THE SHELTER DEDUCTION
AND THE DEDUCTION AS A PERCENT OF SHELTER COSTS
(percents and means)

	All Food Stamp Households	Households with Shelter Deduction All Households	Households with Shelter Deduction Households at Cap
Shelter Costs			
\$0	7.8	0.0	0.0
1-100	11.9	4.8	0.0
101-200	31.9	30.7	0.0
201-300	23.7	29.5	21.8
301-400	14.7	20.5	39.6
401-500	7.0	10.2	26.5
over 500	2.9	4.3	12.0
Average	\$215.0	\$267.0	\$384.0
Shelter Deduction Amount			
\$0	35.0	0.0	0.0
1-25	7.5	11.6	0.0
26-50	8.3	12.7	0.0
51-75	8.9	13.6	0.0
76-100	8.6	13.3	0.0
101-132	9.4	14.5	0.0
133 (shelter deduction cap) ^a	17.7	27.2	100.0
over 133	4.6	7.1	0.0
Average	\$61.1	\$93.9	\$133.0
Shelter Deduction as a Percent of Shelter Costs			
0%	27.1	0.0	0.0
1-20	11.4	17.5	1.7
21-40	27.4	42.1	63.2
41-50	13.2	20.3	25.3
51-60	8.7	13.4	8.9
61-70	4.3	6.7	1.0
Average	25.2 ^b	35.7	37.0
Sample Size			
Weighted (1000)	7,212	4,691	1,277
Unweighted	6,727	4,223	1,156

Source: Weighted calculations from the July-August 1984 food stamp quality control sample (48 states and DC only).

^aCap adjusted to reflect 1985 Food Security Act changes (deflated by the CPI-U for shelter to July/August 1984 dollars).

^bAverage is calculated excluding households with zero shelter costs.

the majority of these households (60%) have monthly costs between \$100 and \$300, almost 35% have costs which exceed \$300. Only 5% have costs under \$100 per month. Households with a deduction equal to the cap have the highest reported shelter costs averaging \$384 per month. None of these households have costs under \$200 and 12% have costs which exceed \$500 per month.

Corresponding to the wide variance in shelter costs, the current shelter deduction is not evenly distributed across households. As Table 1 illustrates, 35% of food stamp households have no shelter deduction while over 20% have a deduction which equals or exceeds the cap. The remaining households have shelter deductions which are fairly evenly distributed between \$1 and the shelter cap.

Among the 65% of all food stamp households with a shelter deduction, the average deduction is \$94. (The median deduction is \$98). Over 27% of these households have a deduction equal to the cap. Another 7% have deductions which exceed the cap--these are elderly or disabled member households not subject to the shelter deduction limit. About 15% of the households with the deduction have excess shelter costs which exceed their income net of other deductions (i.e., their net income equals zero), and therefore have an effective deduction which is less than their excess shelter costs.

On average, households which receive a shelter deduction are able to deduct about 36% of their shelter costs from their income. The percent of shelter costs deducted varies widely between a minimum of under 1% to a maximum of nearly 67%. About 20% of the households receiving the deduction have a deduction which covers more than half of their shelter costs.

Households with a shelter deduction at the cap have on average about the

same percent of their shelter costs deducted as do other households with the deduction--37%. Although the average percent is nearly the same, there is less dispersion in the percent of shelter costs deducted among households at the cap. Almost 90% of these households have between 20% and 50% of their shelter costs deducted from their income.

The Relationship Between Household Characteristics, Shelter Costs and the Shelter Deduction. Table 2 lists the average monthly shelter costs of food stamp households, the percent of households with a shelter deduction, the average deduction, and the deduction as a percent of shelter costs for households grouped by various household characteristics. The table also lists the percent of households with the deduction who have a deduction equal to the shelter cap and the percent with the deduction whose net incomes equal zero (i.e., whose excess shelter costs exceed income net of other deductions).

Monthly shelter costs increase with income from a low of \$113 for households with zero gross incomes to a high of \$294 for households with incomes over \$500 per month or \$247 for households with incomes exceeding 50% of poverty. However, the probability that a household will receive a shelter deduction is highest for middle income households (i.e., households with gross monthly incomes between \$200 and \$400 or incomes between 25% and 75% of the poverty line). About 85% of households with monthly incomes between \$200 and \$300 and 79% of those with incomes from 25% to 50% of poverty have a shelter deduction compared to only 55% of households with incomes over \$500 or 43% of those with incomes exceeding the poverty line. The shelter deduction does not benefit households with the lowest incomes since most of these households are already receiving the maximum food stamp

TABLE 2
AVERAGE SHELTER DEDUCTION AND THE DEDUCTION AS A PERCENT
OF SHELTER COSTS BY HOUSEHOLD CHARACTERISTICS

Household Characteristics	All Food Stamp Households		Households with a Shelter Deduction				Percent of Households with Net Income of Zero
	Total Households (1,000)	Average Shelter Cost (\$)	Percent of Households	Average Deduction (\$)	Deduction as a Percent of Shelter Costs	Percent of Households At Cap	
Total	7,212	215	65	94	36	27	15
Gross Income							
\$0	468	113	0	—	—	—	—
1-200	920	132	71	56	38	0	80
201-300	1,080	190	85	100	46	31	13
301-400	1,968	206	75	101	38	25	3
401-500	986	242	68	100	31	40	0
over 500	1,791	294	55	99	24	41	0
Average	\$387		\$379			\$429	
Gross Income as a Percent of Poverty							
0%	469	114	0	—	—	—	—
1-25	504	134	54	59	36	6	68
26-50	1,874	186	79	87	40	26	28
51-75	1,871	265	78	103	35	43	4
76-100	1,997	230	63	97	32	17	2
over 100	497	251	43	107	28	14	0
Average	59%		60%			60%	
Household Size							
1	2,330	167	66	90	40	8	26
2	1,404	207	68	97	37	33	11
3	1,259	231	71	94	34	35	10
4	1,034	260	68	98	32	41	7
5 or more	1,185	263	52	94	29	39	7
Average	2.8		2.7			3.3	
Elderly/Disabled							
Yes	2,092	194	61	98	36	0	8
No	5,120	224	67	92	35	37	17
Public Assistance							
Yes	3,745	230	74	94	37	35	16
No	3,467	199	55	94	34	15	12
Earned Income							
Yes	1,387	239	59	88	30	32	16
No	5,825	209	67	95	37	26	14

TABLE 2 (continued)

Household Characteristics	All Food Stamp Households		Households with a Shelter Deduction					Percent of Households with Net Income of Zero
	Total Households (1,000)	Average Shelter Cost (\$)	Percent of Households	Average Deduction (\$)	Deduction as a Percent of Shelter Costs	Percent of Households At Cap		
Region								
South	2,646	177	57	82	36	14	18	
West	962	239	58	91	31	33	8	
Northeast	1,669	271	77	116	37	42	9	
Midwest	1,935	206	69	88	36	25	18	
Population								
10,000 or less	223	178	48	84	33	18	11	
10,001-25,000	844	182	55	82	34	21	13	
25,001-50,000	1,319	221	64	102	37	30	13	
50,001-100,000	1,048	224	66	99	37	30	13	
100,001-500,000	1,603	212	67	88	35	23	14	
500,001-1 million	772	222	66	93	34	31	14	
over 1 million	811	252	71	103	35	32	18	
Missing	592	196	70	89	38	25	20	

Source: Weighted calculations from the July-August 1984 food stamp quality control sample (48 states and DC only).

allotment. However, the percentage of households receiving the deduction is greater for low, positive income households (\$1 to \$200, 1% to 25% of poverty) than it is for households in the least poor income groups (over \$500, over 100% of poverty).

Average deductions for households with a deduction do not vary substantially by income level except that they are smaller for households with low positive incomes. This results at least in part because a large portion of these households have excess shelter costs which exceed their income net of other deductions. Over three-quarters of the households with incomes between \$1 and \$200 and 68% of the households with incomes between 1% and 25% of poverty fall into this category.

The deduction as a percent of shelter costs declines as income increases, because the average deduction does not increase with income as do shelter costs. Measured as the percent of shelter costs, the shelter deduction has a greater impact on those households with positive incomes in the bottom half of the income distribution.

Household size is related to the shelter deduction with the largest households (those with 5 or more members) benefiting the least from the deduction despite having the highest shelter costs. These households have the lowest probability of receiving a shelter deduction (52%) and on average their deduction covers only 29% of their shelter costs. Households with one to four members have similar deductions, although the deduction as a percent of shelter costs is largest for one-person households (40%) and falls as household size increases to 32% for four-person households. One-person households are also less likely than larger households to have a deduction affected by the shelter cap. Only 8% of one-person households

with a shelter deduction have a deduction equal to the cap compared to over one-third of the households with two or more members.

Households with elderly or disabled members have lower shelter costs than non-elderly/disabled households (\$194 vs. \$224) and are less likely to have the deduction (61% vs. 67%). However, among those with a deduction, elderly/disabled households have a higher average deduction (\$98 vs. \$92), due at least in part to the fact that they are exempt from the cap on the deduction. About 37% of the non-elderly/disabled households with a deduction are affected by the shelter cap. The deduction measured as a percent of shelter costs is virtually the same for both household groups.

Households with public assistance (primarily AFDC) have higher shelter costs than non-PA households (\$230 vs. \$199) and are more likely to benefit from the deduction. About 74% of the PA households as compared to 55% of the non-PA households have a shelter deduction. The average deduction for households with a deduction is nearly the same for households in both groups as is the deduction measured as a percent of shelter costs. Public assistance households, however, are substantially more likely to have a deduction equal to the shelter cap than are non-PA households (35% vs. 15%). This difference in the percent of households affected by the cap is at least partly due to the fact that a smaller percentage of PA households are exempt from the cap since most elderly/disabled households do not receive public assistance.

Households with earned income have higher shelter costs than households without earnings (\$239 vs. \$209), but are less likely to benefit from the deduction. Only 59% of earner households have a shelter deduction

compared to 67% of no-earner households. Households with earnings also have a lower average deduction (\$88 vs. \$95) and have a somewhat smaller percent of their shelter costs deducted from their income (30% vs. 37%).

Shelter costs differ substantially across regions of the country from a high of \$271 per month in the Northeast to a low of \$177 in the South. Likewise, the impact of the shelter deduction varies by region. Households residing in the Northeast are the most likely to have the deduction (77%) while households in the South and West are the least likely (58% and 57% respectively). The average deduction is also highest in the Northeast (\$116) and lowest in the South (\$82). Corresponding to these differences in the average deduction, households in the Northeast are the most likely to be affected by the shelter cap (42% of those with a deduction) while households in the South are the least likely (only 14%). Despite the substantial regional differences in the probability of having a shelter deduction and its amount, there is little difference in the deduction measured as a percent of shelter costs among households with a deduction (37% in the Northeast, 36% in the South and Midwest, and 31% in the West). Thus, it appears that a large portion of the difference in the distribution of the deduction between regions can be attributed to regional differences in shelter costs.

Food stamp households that reside in areas with a population of under 25 thousand have lower shelter costs relative to other households. They also are less likely to have a shelter deduction and their average deduction for households with a deduction is smaller. Households which reside in areas with a population in excess of one million have the highest shelter costs, are the most likely to have a deduction, and have the

largest average deduction. When measured as a percent of shelter costs, however, the deduction has an impact that is fairly constant across households grouped by population. The percent of shelter costs covered by the deduction (for households with the deduction) ranges from a high of 37% for households in areas with a population of 50-100 thousand to a low of 33% for households who live in areas with fewer than 10 thousand people.

D. THE IMPACT OF THE SHELTER DEDUCTION ON FOOD STAMP BENEFITS

In general, those households with the highest shelter deductions will have the largest increases in benefits since food stamp benefits resulting from the shelter deduction are usually equal to 30% of the deduction amount.⁴ Table 3 lists the distribution of benefits resulting from the shelter deduction. On average, households with a deduction receive an additional \$26 in food stamp benefits as a result of the deduction. (The average monthly bonus amount for households with a deduction is \$120

⁴The food stamp benefit formula is:

$$\text{Benefit Amount} = \text{Thrifty Food Plan Amount} - .3 (\text{Gross Income} - \text{Other Deductions} - \text{Shelter Deduction}).$$

A minimum of \$10 in benefits is allotted to households with one or two members. There are two situations in which the shelter deduction amount will result in a less than 30% increase in benefits:

- o The household has one or two members and its benefit amount calculated without the shelter deduction is equal to the minimum benefit of \$10. In this case, the shelter deduction will not raise benefits until the \$10 minimum is no longer binding.
- o The household has a gross income net of other deductions times 30% that is greater than the Thrifty Food Plan amount. In this case, the shelter deduction serves to affect the household's eligibility before its benefits begin to accrue. This situation is most likely to occur among elderly or disabled member households which are not subject to a gross income limit in eligibility determination.

TABLE 3
IMPACT OF SHELTER DEDUCTION ON BENEFIT LEVELS
(percents and means)

	All Food Stamp Households	Households with Shelter Deduction	
		All Households	Households at Cap
Increase in Benefits from Shelter Deduction			
\$0	38.1	4.9	0.2
1-10	10.0	15.4	0.1
11-20	11.4	17.5	0.2
21-30	10.9	16.8	0.9
31-40	26.1	40.2	98.6
over 40	3.3	5.3	0.0
Average	\$17.1	\$26.2	\$39.5
Percent Increase in Benefits^a			
0%	38.1	4.9	0.2
1-10	10.7	16.4	0.2
11-20	14.4	22.1	22.9
21-30	13.0	19.9	33.1
31-40	7.4	11.4	19.8
41-50	4.8	7.3	6.8
over 50	11.6	17.9	17.0
Average	18.7	28.7	32.3
Average Benefit ^b	\$116	\$120	\$152
Sample Size			
Weighted (1000)	7,212	4,691	1,277
Unweighted	6,727	4,223	1,156

Source: Weighted calculations from the July-August 1984 food stamp quality control sample (48 states and DC only).

^aThe percent increase in benefits is calculated by dividing the increase in benefits from the shelter deduction by total current benefits inclusive of the shelter deduction benefits.

^bAverage benefit for households without a shelter deduction is \$107.

compared to \$107 for households without the deduction). The distribution of benefits resulting from the deduction varies between \$0 and \$121 with most households receiving an increase in benefits of \$20 to \$40. Households at the shelter cap receive about \$40 in additional benefits. These households have monthly food stamp bonus amounts which average \$152. Per capita monthly increases in benefits average nearly \$9 for all food stamp households, \$13 for households with a shelter deduction, and \$15 for households with a deduction equal to the cap.

On average, 19% of a food stamp household's current monthly benefits are attributed to the shelter deduction. For households with a shelter deduction, the average increase in benefits resulting from the deduction is about 29%. Households at the cap receive a slightly higher increase in benefits (32%). The percent increase in benefits resulting from the deduction varies from 0% to 100% with nearly a fifth of the households with a deduction (18%) having their benefits increased by more than half. About 40% of the households with the deduction have benefit increases between 11% and 30%.

Table 4 lists the average total increases and per capita increases in food stamp bonus amounts that result from the shelter deduction for households grouped by characteristics. The patterns are generally consistent with those noted in Table 2 with households residing in the Northeast and with incomes in the middle income ranges tending to benefit the most from the shelter deduction both in terms of total and per capita increases in benefit amounts.

A few findings illustrated in Table 4 are worth noting. As might be expected, one-person households have the highest per capita increase in

TABLE 4
AVERAGE TOTAL AND PER CAPITA INCREASES IN BONUS AMOUNTS
RESULTING FROM THE SHELTER DEDUCTION BY HOUSEHOLD CHARACTERISTICS

Household Characteristic	All Food Stamp Households			Households with Shelter Deduction		
	Average Deduction (\$)	Average Increase in Bonus (\$)	Per Capita Increase in Bonus (\$)	Average Deduction (\$)	Average Increase in Bonus (\$)	Per Capita Increase in Bonus (\$)
Total	61	17	9	94	26	13
Gross Income						
\$0	0	0	0	--	--	--
1-200	40	12	9	56	17	12
201-300	85	26	15	100	30	18
301-400	75	20	12	101	26	16
401-500	68	19	7	100	28	10
over 500	54	15	4	99	27	8
Gross Income as a Percent of Poverty						
0%	0	0	0	--	--	--
1-25	32	10	2	59	18	4
26-50	69	21	9	87	26	11
51-75	80	24	12	103	31	15
76-100	61	15	10	97	24	16
over 100	46	7	3	107	16	8
Household Size						
1	59	14	14	90	22	22
2	65	19	9	97	28	14
3	67	20	7	94	28	9
4	67	20	5	98	30	7
5 or more	49	15	3	94	28	5
Elderly/Disabled						
Yes	60	14	11	98	23	17
No	62	18	8	92	28	12
Public Assistance						
Yes	70	21	9	94	28	13
No	51	13	8	94	24	15
Earned Income						
Yes	52	15	6	88	26	10
No	63	18	9	95	26	14

TABLE 4 (continued)

Household Characteristic	All Food Stamp Households			Households with Shelter Deduction		
	Average Deduction (\$)	Average Increase in Bonus (\$)	Per Capita Increase in Bonus (\$)	Average Deduction (\$)	Average Increase in Bonus (\$)	Per Capita Increase in Bonus (\$)
Region						
South	47	13	6	82	23	11
West	53	15	7	91	26	12
Northeast	89	24	13	116	31	17
Midwest	60	17	9	88	25	13
Population						
10,000 or less	40	11	5	84	24	11
10,001-25,000	45	13	6	82	23	12
25,001-50,000	65	18	10	102	28	16
50,001-100,000	66	18	9	99	28	14
100,001-500,000	59	17	8	88	25	12
500,001-1 million	61	17	8	93	26	13
over 1 million	74	20	11	103	28	16
Missing	62	18	9	89	25	13

Source: Weighted calculations from July-August 1984 food stamp quality control sample (48 states and DC only).

benefits even though they have the smallest total increase. Average per capita monthly benefit increases for households with the deduction decline steadily from \$22 for one-person households to \$5 for households with 5 or more members. Elderly households with the deduction have a smaller average increase in benefits compared to non-elderly households (\$23 vs. \$28) but their per capita benefit increase is larger (\$17 vs. \$12) reflecting the smaller size of elderly households. On the other hand, public assistance households with the deduction have a smaller per capita increase in benefits than non-PA households (\$13 vs. \$15) even though their total monthly increase is larger (\$28 vs. \$24).

Households with incomes greater than 100% of poverty have the smallest increase in benefits resulting from the deduction (\$16) when compared to households in other positive income categories even though they have the largest average shelter deduction (\$107). These households are receiving substantially less than a 30% increase in benefits from the shelter deduction because the deduction is first used to reduce their net incomes to 100% of poverty, the eligibility cutoff, before benefits begin to accrue (see footnote on p. 11). Average benefit increases are also substantially less than 30% of the shelter deduction for households without earnings and for elderly households. Both of these groups have higher average shelter deductions than their comparable groups, but have equal or smaller increases in benefits resulting from the deduction.

E. THE IMPACT OF THE DEDUCTION ON HOUSEHOLDS BY QUARTILES OF INCOME

Table 5 lists the distribution of benefits resulting from the shelter deduction by households grouped in quartiles of income as a percent

TABLE 5

CHARACTERISTICS OF HOUSEHOLDS AND THE DISTRIBUTION OF THE
SHELTER DEDUCTION AND RESULTING BENEFITS BY QUARTILES
OF GROSS INCOME AS A PERCENT OF POVERTY

	All Food Stamp Households	Households by Quartiles of Income as a Percent of Poverty			
		Lowest 25 Percent	Second 25 Percent	Third 25 Percent	Highest 25 Percent
Weighted Sample Size (1000)	7,212	1,831	1,830	1,938	1,614
Household Characteristics:					
Gross Monthly Income	\$387	\$151	\$355	\$465	\$597
Income as Percent of Poverty	59	20	49	72	97
Household Size	2.8	3.0	3.1	2.6	2.4
Percent with Public Assistance	52	53	81	48	22
Percent Elderly/Disabled	29	7	12	41	58
Percent with Earned Income	19	14	12	18	35
Percent in Northeast	23	8	35	21	29
Percent in Midwest	27	27	37	21	22
Percent in South	37	55	21	35	36
Percent in West	13	10	7	23	13
Monthly Shelter Costs	\$215	\$141	\$229	\$249	\$242
Percent with no Shelter Costs	8	22	4	2	3
Shelter Deduction:					
Percent with Zero Income					
Net Other Deductions	9	34	0	0	0
Percent with Deduction	65	53	79	72	54
Percent at Cap	18	8	30	24	8
Average Deduction	\$61	\$38	\$79	\$70	\$56
Deduction as a Percent of Shelter Costs ^a	25	27	32	24	17
Food Stamp Monthly Benefit:					
Average Benefit	\$116	\$178	\$146	\$85	\$47
Percent with Maximum Benefit	18	59	9	2	1
Increase in Benefit from Shelter Deduction	\$17	\$12	\$24	\$20	\$12
Percent Increase in Benefit	19	7	19	28	21
Total Increase in Monthly Benefits from Shelter Deduction (1000)	\$122,973	\$21,269	\$43,184	\$39,252	\$19,268
Percent of Total	100	17	35	32	16
Cumulative Percent	—	17	52	84	100

Source: Weighted calculations from July-August 1984 food stamp quality control sample (48 states and DC only).

Note: The income as a percent of poverty groupings for the four quartiles are: lowest quartile--0 to 39%; second quartile--40 to 59%; third quartile--60 to 80%; and highest quartile--over 80%. The unequal number of weighted households in the upper two quartiles resulted from a few highly weighted sample households falling at the 80% of poverty cutoff point.

^aAverage is calculated excluding households with zero shelter costs.

of poverty. (The table also contains information on the characteristics, shelter costs, and shelter deductions of these household groups).

The shelter deduction results in a total increase of nearly \$123 million in monthly food stamp benefits. Despite the fact that households with zero gross incomes cannot benefit from the shelter deduction, the increase in benefits resulting from the deduction is evenly distributed between households with incomes below and above the median food stamp household income. However, the benefits are concentrated among the middle income households. Nearly 67% of the increase in benefits is received by households in the middle two income quartiles. The remaining benefits are split evenly between households in the lowest and highest income groups.

Food stamp benefits resulting from the shelter deduction tend to be concentrated among households in the middle of the food stamp household income distribution for at least the following reasons. First, over a third of the households in the lowest income group (34%) cannot benefit from the shelter deduction because their incomes net of other deductions are equal to zero and they are already receiving the maximum food stamp allotment. No households in the other income quartiles face similar circumstances. In addition, another 25% of the households in the lowest income group have a shelter deduction that is less than their excess shelter costs because their FSP net incomes equal zero. This occurs because excess shelter costs exceed income net of other deductions. These households are also receiving maximum food stamp benefits. In total, 59% of the households in the lowest income as a percent of poverty quartile receive the maximum allotment compared to only 9% of households in the

second quartile and less than 2% of households with incomes above the median.⁵

Households in the highest income as a percent of poverty quartile are less likely to benefit from the shelter deduction because their shelter costs are lower relative to their higher incomes. Average monthly income for these households is nearly \$600 while average shelter costs are \$242, or about 40% of income. Households in the middle two income quartiles have average shelter costs which are roughly the same as those for households in the highest income quartile, but have average incomes which are much lower. Average shelter costs as a percent of average income is 65% and 54% for households in the second and third income quartiles, respectively. As a result, households in the upper income quartile are less likely to receive a deduction since their shelter costs are not as likely to exceed half of their income net of other deductions. This is also reflected in the lower average shelter deduction amount for these households.

⁵Another reason that the lowest income households benefit less from the shelter deduction is that their shelter costs are substantially lower than those of households in the higher income groups. Besides income, one important reason for the lower shelter costs may be the higher concentration of these households in the South where shelter costs tend to be lower.